Proposed F&A Distribution Model
White Paper

Overview

A key component in our strategic effort to become a premier research university is to provide an infrastructure that supports research growth. This infrastructure must permeate the university, beginning at the departmental level and extending to support provided by central administration. It is not enough to bring top faculty to UTSA; to retain them, we must also provide an environment that will help them succeed. This proposal focuses on our uses of Facilities and Administrative (F&A) funds as a key tool for providing a supportive environment, recognizing that there are other essential elements, including policy and process development and departmental budget support, that are equally important parts.

A central concept at the heart of this proposal is the pre-eminent role that departments must play in promoting scholarly activities and the growth of research. Departments lead faculty searches and are responsible for managing the activities of faculty and evaluating their performance. In most cases, they also control the assignment of research space, coordinate shared instrumentation and shared facilities, and strategically plan for the long-range future within the academic disciplines. It is critical that departments have the resources they need to achieve the long-term objectives of the university and meet the scholarly needs of their faculty and students.

Researchers encounter many challenges that need to be addressed by the university in order to facilitate a supportive environment of discovery and creativity. Some of these challenges are resource-based and directly impact the faculty – such as funding for start-up packages for new hires, seed funding for innovative projects, bridge funding for continuation of projects during a lapse in external funding, and travel support. Some challenges are at the institutional level, such as increasing the available space for research activities, strengthening the infrastructure for sponsored projects, and establishing adequate library collections for scholarly and creative work.

In order to meet these challenges, the university must continue to expand and optimize the use of its available resources. This paper proposes a new comprehensive model for the budgetary support of colleges, departments, institutes and centers. This model includes not only a restructuring and distribution of institutional funds in support of instructional activities and the maintenance and operations (M&O) budgets of departments, but also a re-distribution of F&A funds aimed at strengthening four key areas of our research enterprise: addressing the needs of the faculty engaged in research, strengthening the departmental structure, providing support for the colleges, centers and institutes, and building a strong research infrastructure across the university.

An Overview of the Proposed Model

The essence of the proposed model is to encourage the development of the university's academic departments into units that have expanded authority, but also expanded responsibility, for carrying out the instructional, research, and service missions of the university.

To achieve this outcome, the departments must have adequate resources to meet enrollment demands for their classes, effectively managing the teaching loads of its regular full-time faculty and appointing non-tenure-track (NTT) faculty as needed. This will require restructuring the budget so that departments are assigned permanent funds to meet their NTT needs. Such a restructuring is currently being studied by the provost's office in collaboration with the academic colleges for implementation in the coming academic year, and will likely require freezing some open faculty lines as a source of funding (vacant faculty lines are currently the primary source of funding for NTT appointments).

Related to this, the university is examining the M&O budgets of academic departments. A budget request is under consideration by the Strategic Resource Planning Council for enhancement of those budgets to enable departments to operate appropriately to deliver instruction and support all faculty activities adequately. The provost's office is also working with the Office of Information Technology to pursue a restructuring of certain IT infrastructure costs that could lead to M&O budget savings for departments.

Finally, to underline the important role that departments can play in promoting research activities, this proposal calls for a redistribution of F&A funds that will provide departments engaged in funded research activities with new resources to support scholarly activities by faculty and students. Currently, departments do not receive a share of the F&A funds. Under the proposed model, departments would ideally be able to assist faculty with bridge funding when there is a lapse in external support, facilitate the acquisition of shared instrumentation or other shared resources, provide maintenance support for instruments, assist faculty and students with funding for research-related travel, and fund small scale renovations.

The proposed model also enhances funding for colleges by separately providing F&A funding support for institutes and centers, thereby eliminating internal competition for those funds. The enhanced F&A funding at the college level will facilitate college support for startup packages for new faculty, provide additional bridge funding support for faculty when needed, and enable colleges to develop other local programs to stimulate research activities.

Current F&A Distribution at UTSA

F&A funds are provided to the University by funding agencies to reimburse UTSA for "costs which are incurred for common or joint objectives, and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity." (OMB Circular A-21.B.4) This includes reimbursement of costs for facilities, administrative support, and other costs incurred by the University which may not be directly charged to a grant or contract. UTSA currently has a negotiated federal F&A research rate of 44.5% of Modified Total Direct Cost, but many agencies, including some federal agencies restrict F&A recovery to a lower rate. As a result, UTSA has an effective F&A recovery rate of approximately 20%. Even at the full 44.5% rate, the F&A provided by external grants and contracts does not come close to reimbursing the university for the real costs that it incurs in support of funded scholarly activities.

As the research productivity of the university increases, so will the amount of F&A costs recovered. For the 2008-09 year, UTSA received approximately $7.5 million in F&A recovery funds. These funds were distributed in the following manner:

- $2.1M (28%) of the total F&A costs recovered by UTSA are spent on debt service incurred for start-up packages for faculty and for West Campus renovations;
- $1.2M (16%) goes to VP Research to support research administrative infrastructure, centers and institutes, startup equipment, seed grant programs, and compliance expenses;
- $1.1M (14.7%) is used by the Provost Office, primarily to support start-up packages for new faculty;
- $1.0M (13.3%) is used for facilities renovations associated with research;
- $600K (8%) is allocated to VP Business Affairs in support of accounting, facilities, and lab safety offices;
- $750K (10%) is allocated to the PI(s) of the funded project; and
- $750K (10%) of the funds recovered went to the college or the center/institute originating the funded project (with nearly 6.5% going to institutes/centers and 3.5% to the colleges).

In the next year, the university will retire the debt accounting for about two-thirds of its annual debt-service payments, permitting the reallocation of those funds. This provides a portion of the funding needed to implement this proposal and will be detailed further below (see Element #5).

Two major challenges, both indicated above, exist with the current F&A distribution model that limit the university's ability to optimize the use of these resources to stimulate growth in research. First, faculty have the option to choose whether to associate their research work with either a college or a center/institute. For example if a grant is processed through a center/institute, the F&A funds are allocated to the center/institute (10%) and none to the college. The reverse is also true. This option creates unnecessary and unproductive competition between colleges and center/institutes as it affects the amounts of F&A funds distributed to each. Second, departments do not receive a distribution of F&A funds based on the current distribution model. Since departments do not receive F&A funds, they are not able to provide centralized research administrative support for faculty and student researchers.

A third challenge involves how F&A funds are used, or not used, once distributed. There are presently no guidelines regarding the use of F&A funds, especially with regards to limits on accumulation. This has resulted in nearly $3.53 million of unspent funds sitting in F&A accounts as of the close of the last fiscal year. In many cases, these funds are held as reserves by faculty to pay for (i) administrative support to carry out a grant; (ii) seed funding to develop a new research initiative, and/or (iii) as bridge funding in-between grants. While these are important needs that need to be addressed, the total accumulated amount has become significant and could be better used to stimulate greater research activity.

This proposal seeks to find an appropriate balance to address the very real support needs of funded researchers through pooling resources at the departmental level. This model has been successfully employed by some research centers/institutes, but this means that the "group benefits" apply only to those faculty who are affiliated with such entities and it is the thesis of this proposal that such benefits can be effectively extended by academic departments.

The Evolution of this Proposal

As the provost's office undertook an examination of the resources needed to implement the university's strategic plan, it became clear that UTSA needed to address the challenges associated with budgetary support of academic units and with the current model for the distribution of F&A funds. As a result, in January 2010, a new model for F&A distribution was introduced to key university groups, such as the Directors of Centers and Institutes, the Department Chairs Council, and the Deans' Council. In addition, faculty were invited to three open forums to provide feedback on the proposed F&A distribution model.

Subsequently, a day-long retreat was held on March 5, 2010 involving a representative group of faculty, department chairs, center directors, dean and VPs. The list of attendees for the day-long retreat is provided in Table 1. Through these discussions, the elements of the original proposal were examined and modified in response to (i) feedback received from faculty following the open forums, (ii) ideas generated during the retreat, and (iii) additional needs identified in the retreat. In addition, the group expanded consideration to the use of the institutional F&A funds currently dedicated to debt service that will become available when a portion of that debt is retired in FY 2011.

Table 1: Participants in March 5 F&A Retreat

John Frederick, Provost, Convener for Retreat
Mauli Agrawal, Dean, College of Engineering
Bernard Arulanandam, Biology, South Texas Center for Emerging Infectious Diseases
Frank Chen, Mechanical Engineering, Center for Advanced Manufacturing and Lean Systems
Robert Fuhrman, Chair, Psychology
Waldemar Gorski, Chair, Chemistry
Robert W. Gracy, VP for Research
Ruyan Guo, Chair, Electrical and Computer Engineering
Sonia Martinez, Office of the President
Lloyd Potter, Chair, Demography, Institute for Demography and Socioeconomic Research
Misty Sailors, Interdisciplinary Learning and Teaching, Director of the Textbooks and Learning Materials Program (Read Malawi)
Andrew Tsin, Biology, Associate Dean, College of Sciences
Carola Wenk, Computer Science, Faculty Senate

From the retreat evolved the current proposal that places the changes in the distribution of F&A funds into a greater institutional context where a high priority is placed on improving the research enterprise at all levels. In addition, a process was outlined for stakeholders to help further define elements of the model, and to have an active role in the operational level of implementation. The following sections outline this new proposed F&A distribution model.

Proposed F&A Distribution Model

The reimbursement of F&A funds will be distributed to those entities engaged in sponsored research activities. The proposed F&A distribution model has seven main elements which are described in the following sections.

Element #1: Distribution of F&A Funds to Research Centers and Institutes

The combined F&A distribution to university-approved research centers and institutes represents about 6.5% of the total F&A generated by the university, and this amount is directly proportional to the F&A produced annually by faculty affiliated with these units. The proposed model calls for 7% of the total university F&A funds to now be set aside in a new fund for the support of centers and institutes. This fund would be distributed to the centers and institutes based on a formula which would establish a baseline funding level for centers and institutes, and an additional allocation based on an incentive formula. The allocation formula would also take into account the periodic evaluation of the research centers/institutes by external review teams.

It is proposed that the current research center and institute directors group comprise be tasked with further developing an F&A distribution funding formula from this pool, and making recommendations to the provost and VP for Research on a framework for implementation. The deans and PIs may need to be engaged in this discussion as well. Another assignment for the research center and institute directors would be to study policies governing the creation and elimination of research centers/institutes, and to develop criteria to assess their continuing viability.

Element #2: Distribution of F&A Funds to Colleges

The proposed model allocates to colleges 8% of the F&A funds generated by their faculty, independent of whether they participate in a research center or institute. In this way, the proposed allocation removes the inherent competition between colleges and research centers/institutes for F&A funds, thereby encouraging deans to support the activities of successful research centers/ institutes. This also stabilizes the amount received by colleges and acknowledges the support they provide to faculty research efforts through startup packages and the college administrative infrastructure. The allocation is reduced from the theoretical portion, 10%, to 8% to support the new allocation of F&A funds to departments (see below— colleges actually receive only 3.5% presently).

Colleges would be required to use these funds to support and stimulate research activities. Some examples of potential uses would include: (i) cost-sharing in new faculty startup packages; (ii) assisting departments with bridge funding; (iii) supporting facilities renovation needs; and (iv) providing research travel support for faculty and students, among others. Each college will determine the method by which F&A funds are utilized to support research activities.

Element #3: Distribution of F&A Funds to Departments

Under this proposal, academic departments would receive a 7% allocation of the F&A funds generated by the faculty within their departments, compared to a current distribution of 0%. This 7% share represents a reallocation of funds formerly allocated to colleges and to PIs.

This new allocation acknowledges the critical role that departments must play in the growth of the university's research enterprise. It will enable chairs to make resource decisions to address immediate departmental needs. Yet, it is important to ensure these new F&A resources would be used to optimize the growth of the research enterprise, as opposed to funding instructional or other budgetary needs. As a result, the following spending guidelines structure is proposed.

- Management of the 7% allocation would be left to the departments, constrained by the requirement that the resources be used to support research efforts. Examples of appropriate uses of a department's F&A funds include: (i) bridge funding for faculty experiencing a lapse in external support; (ii) seed funding for new research initiatives, (iii) support of research travel; (iv) purchase of maintenance contracts for shared instruments; and (v) publicizing the department's research activities.
- Each department would establish its own F&A Advisory Committee to be comprised of the PIs who generated the F&A funds. The department's F&A Advisory Committee would help to set guidelines and policies for the department's use of its F&A funds and advise the chair as to their allocation.

In addition to the new F&A allocation, departments will also be subject to the restructuring of academic budgets that will vest in them greater resources, but also greater responsibility, for managing the instructional mission. This will be done to ensure that F&A accounts are not redirected to non-research support uses.

Element #4: Distribution of F&A Funds to PIs

The proposed distribution rate to PIs will be 5%, which is an adjustment from the current 10% distribution level. The original proposal indicated a possible reduction to 2.5%, but feedback from faculty suggested that 5% would be a more appropriate level so that faculty could cover necessary administrative and M&O expenses in support of their funded activities. For multiple-PI grants, the university is taking steps to ensure that proportionate "credit" is assigned to each of the PI's. The PI proportion of effort will then be reflected in the share of F&A funds allocated.

To ease the transition to a 5% allocation, this adjustment would occur over a two-year period. Thus, in Fall 2010, PIs would receive a 7.5% distribution rate, and then go to 5% in Fall 2011. PIs would continue to have the flexibility to use the F&A funds to support activities associated with advancing their research activities, such as seed funding for next research initiative, travel support, or supporting laboratory expenses, among others.

Element #5: Post-FY11 Funding

About 28% of the F&A funds generated by the university are currently used annually to pay for debt service incurred several years ago to fund start-up packages for new faculty appointments, and for West Campus facilities renovations. Of the $2.1 million currently allocated for this purpose, approximately $1.4 million will become available for redistribution after FY2011 to support additional university-wide research initiatives. The other $700K will be needed to pay the remaining debt service over the next 20 years.

It is proposed that a portion of these funds be used to support initiatives with broad institutional impact that help promote collaborative research. For example, the 7% of the F&A funds that would now be allocated to support research centers and institutes would come from this portion of the F&A funds. In addition, another $500K is proposed to replace institutional funds that currently support research activities, thereby freeing those institutional funds to address budgetary needs at the department level.

Of the remaining amount, several suggestions have been proposed by the retreat group. Those having the widest impact include:

- providing central services and core infrastructure, such as computational center for research,
- hiring grant writers who can help faculty write portions of the grants, and
- funding student research positions based on proposals submitted by faculty.

A full list of suggested uses from the retreat participants is included in Table 2. As a side note, some of these suggestions are included in the possible uses of college and departmental F&A accounts, while some others are addressed by strategic reallocations of funds within Academic Affairs (e.g. graduate student recruiting assistance).

Table 2: Proposed Potential Uses of F&A Funds

Provide additional central services
Increase allocation for start-up funding
Create a central entity to build collaborations between UTSA and SwRI
Hire grant writers
Provide incentive-based compensation to faculty
Maintenance budgets for equipment
Support core lab facilities
Provide funds for research-related travel
Allocate grants for graduate student travel
Set aside funds for recruiting graduate students
Fund undergraduate research positions based on research proposal submitted by faculty
Provide graduate student funding to leverage support funded by PI
Provide funding for research computer support
Provide assistance to PIs for day to day operations

Element #6: Guidelines for F&A Account Distributions and Accumulations

With nearly $3.53 million in total accumulation sitting in hundreds of accounts across the university as of the end of FY 2009, it is important for guidelines to be developed to

- govern the minimum distribution to be made to individual F&A accounts;
- establish thresholds for the distribution of F&A funds from grants that receive less than the full federal F&A rate; and
- encourage reasonable spending of these funds to help stimulate greater research activity.

It is proposed that a task force be established to study the issues that lead to the unused accumulations, and to develop guidelines for annual expenditures and for reasonable threshold levels for F&A account distributions (both minimum and maximum levels).

Once such guidelines are finalized and approved, they will go into effect beginning two years from that date. It is important to note that no changes in the policy governing account balances will occur until after new guidelines are finalized.

Element #7: Transparency in the Use of F&A Funds

The enhancement of the university's research enterprise is the responsibility of everyone at the university. Consequently, there needs to be accountability and transparency in our use of available resources. As a final element of this proposal, the use of F&A funds at each of the departmental, college, and university levels will be reported annually to the faculty so that there is transparency in our use of these valuable resources.

Departments will be asked to provide a brief report on the expenditure of funds by general category (for example, "Equipment maintenance," "Travel Support," "Bridging Support", etc.) and indicate any funds that will be carried over to the next year. Similarly, colleges will prepare a corresponding report of the general uses of F&A funds at the college level, and the provost and VP for Research will report on the uses of F&A funds at the university level. These reports could all be facilitated (and simplified!) by the development of a simple spreadsheet on which funded amounts can be entered. With this level of transparency, researchers can be assured that university resources are being deployed to support their efforts.

Summary of Proposed F&A Model

Table 3 outlines the proposed F&A distribution model, as well as the current model. It is important to note that the changes in distribution levels would take place over a two-year period. This will allow for a smoother transition and adjustment across the University.

Table 3: Proposed F&A Distribution

Unit	*Current*	*Proposed* *FY 2011*	*FY2012*
PIs	10%	7.5%	5%
Departments	0	3.5%	7%
Colleges	3.5%*	6%	8%
Pool for Centers/Institutes	6.5%*	6.5%	7%
TOTAL	**20%**	**23.5%**	**27%**

* These percentages represent the portion of total university F&A funds currently received by these respective units.

Periodic Review

Finally, we propose that the general uses of F&A funds and the state of F&A accounts at all levels be reviewed every three years to assess their impact on research activities. The provost, in collaboration with the VP for Research, will develop appropriate performance metrics that will form the basis of this review, and the review will also consider feedback from researchers, departments, and colleges as to the effectiveness of the university's F&A distribution policies.